



*United States Attorney  
Southern District of New York*

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**MANHATTAN U.S. ATTORNEY ANNOUNCES \$369,744 SETTLEMENT  
WITH DUANE READE FOR MEDICAID FRAUD**

PREET BHARARA, the United States Attorney for the Southern District of New York, ERIC SCHNEIDERMAN, the Attorney General of the State of New York, and THOMAS O'DONNELL, the Special Agent-in-Charge of the New York Office of Investigations for the Office of Inspector General, U.S. Department of Health and Human Services, announced today a settlement between the United States and DUANE READE, INC. ("DUANE READE"), resolving an anti-kickback lawsuit alleging that Duane Reade submitted false claims to the New York Medicaid program. The settlement, approved in Manhattan federal court by U.S. District Judge Richard Sullivan, requires DUANE READE to pay to the United States and the State of New York a total of \$369,744 in civil damages under the False Claims Act.

Manhattan U.S. Attorney PREET BHARARA stated: "Healthcare fraud drains the system of billions of dollars of hard-earned taxpayer money. The U.S. Attorney's Office in the Southern District of New York will continue to work with our state and federal law enforcement partners to aggressively enforce the laws prohibiting healthcare fraud."

New York State Attorney General ERIC SCHNEIDERMAN stated: "Cracking down on those who try to defraud the taxpayers is a top priority for this office. We will continue to work with our colleagues in law enforcement to send a clear message that we will leave no stone unturned in the fight against fraud, waste, and corruption in New York State."

HHS-OIG Special Agent-in-Charge THOMAS O'DONNELL stated: "HHS-OIG is committed to holding providers accountable for

defrauding Medicaid. We will continue to aggressively pursue those who take advantage of all Federal health care programs."

According to the documents filed in Manhattan federal court:

DUANE READE, a provider of prescription drug services to Medicaid patients in New York, operated the Duane Reade Express Pharmacy Kiosk Program from 2003 through 2008 (the "Kiosk Program"). The Kiosk Program involved the installation of automated kiosks in physicians' offices to allow and encourage patients to fill their prescriptions at DUANE READE by entering the prescription information electronically at their doctors' offices. After entering prescription information into the kiosks, patients could pick up their prescribed medications at a local Duane Reade store.

As part of the Kiosk Program, DUANE READE made purported monthly "rent" payments to physicians for the amount of space occupied by the kiosks placed in their offices. DUANE READE did not consider the fair market value of the physical space occupied by the kiosks, and in violation of the federal and state Anti-Kickback statutes, paid higher "rents" to physicians who generated a high volume of prescriptions. As a result of Duane Reade's unlawful financial relationship with physicians who participated in the Kiosk Program, DUANE READE submitted false claims to Medicaid for payment for prescription drug services.

DUANE READE has agreed to pay \$369,744 to resolve these claims.

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The allegations of fraud were first brought to the attention of the Government by a whistle-blower, who filed a lawsuit under the *qui tam* provisions of the False Claims Act. The False Claims Act permits the United States to intervene in cases originally commenced by private parties who have knowledge of fraud committed against the Government.

Mr. BHARARA praised the New York State Office of the Attorney General and the Office of Inspector General, U.S. Department of Health and Human Services for their work on this case.

This case is being handled by the Southern District of New York's Civil Frauds Unit, working together with the Medicaid Fraud Control Unit of the New York State Office of the Attorney General. Assistant United States Attorneys LARA K. ESHKENAZI AND TARA La MORTE are in charge of the case.

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